Financial Statements of

# Langara College

For the year ended March 31, 2016

# Langara College

Statement of Management Responsibility

Year ended March 31, 2016

Management is responsible for the preparation of the annual financial statements, and has prepared the accompanying financial statements for the year ended March 31, 2016, in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which judgment is required.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that assets are safeguarded and that the financial records provide a reliable basis for the preparation of the financial statements.

The Board of Governors of the College carries out its responsibility for review and approval of the financial statements. The Audit and Finance Committee of the Board meets with management and the external auditors to discuss the results of audit examinations and financial reporting matters.

These financial statements have been reported on by KPMG LLP, the College's external auditors appointed by the Board of Governors. The external auditors have full access to the Board with and without the presence of management.

**Dr. Lane Trotter**, President and CEO

**Viktor Sokha**, Vice-President, Administration and Finance

June 23, 2016

KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

# INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Langara College and
To the Minister of Advanced Education, Province of British Columbia

We have audited the accompanying financial statements of Langara College, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in net debt and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

*Opinion*

In our opinion, the financial statements of Langara College as at March 31, 2016 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 23, 2016
Burnaby, Canada

# Langara College

Statement of Financial Position
March 31, 2016 with comparative figures for March 31, 2015

| | | 2016 | 2015 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | | 24,088,138 | 10,961,975 |
| Accounts receivable | | 1,933,742 | 2,274,539 |
| Inventories for resale | | 864,906 | 793,810 |
| Net investment in lease | Note 3 | 3,333,559 | 3,411,643 |
| Investments | Notes 4 | 19,733,729 | 42,265,940 |
| | | 49,954,074 | 59,707,907 |
| **Liabilities** | | | |
| Accounts payable and accrued liabilities | Note 5 | 15,059,964 | 11,109,351 |
| Due to Langara College Foundation | Note 15 | 985,827 | 1,535,280 |
| Employee future benefits | Note 6 | 7,500,512 | 6,552,293 |
| Deferred revenue | | 18,825,270 | 14,142,951 |
| Deferred contributions | Note 7 | 7,178,307 | 1,341,408 |
| Deferred capital contributions | Note 8 | 57,997,973 | 59,434,268 |
| Long-term debt | Note 9 | 8,822,560 | 8,944,496 |
| | | 116,370,413 | 103,060,047 |
| **Net debt** | | (66,416,339) | (43,352,140) |
| **Non-financial assets** | | | |
| Tangible capital assets | Note 10 | 123,843,875 | 99,051,952 |
| Prepaid expenses | | 335,192 | 708,174 |
| | | 124,179,067 | 99,760,126 |
| **Accumulated surplus** | Note 11 | **$ 57,762,728** | **$ 56,407,986** |

Commitments (Note 13)

Contractual obligations (Note 14)

See accompanying notes to the financial statements.

Approved on behalf of the Board of Governors:

**Kwin Grauer**
Chair, Board of Governors
Chair, Audit and Finance Committee

**Jeff Lowe**
First Vice Chair, Board of Governors

# Langara College

Statement of Operations and Accumulated Surplus
Years ended March 31, 2016 and 2015

| | | Budget 2016 | 2016 | 2015 |
|---|---|---|---|---|
| | | Note 3(k) | | |
| **Revenue:** | | | | |
| Province of British Columbia grants | | $ 44,207,000 | $ 38,760,377 | $ 45,226,115 |
| Tuition and student fees | | 59,791,000 | 64,753,786 | 50,723,958 |
| Sales of goods and services | | 5,704,000 | 6,315,870 | 6,183,588 |
| Contract services | | 1,872,000 | 1,226,681 | 1,986,314 |
| Investment income | | 680,000 | 845,558 | 1,547,316 |
| Revenue recognized from deferred capital contributions | Note 8 | 3,218,000 | 3,373,296 | 3,233,143 |
| Miscellaneous income and contributions | | 989,000 | 1,100,880 | 1,325,045 |
| | | **116,461,000** | **116,376,448** | **110,225,479** |
| **Expenses:** | | | | |
| Instruction | | 110,414,000 | 107,387,075 | 101,625,594 |
| Ancillary operations | | 6,047,000 | 6,161,616 | 6,276,820 |
| Transfers to Langara College Foundation | Note 15 | - | 1,473,015 | 3,337,347 |
| | | **$ 116,461,000** | **$ 115,021,706** | **$ 111,239,761** |
| Operating (deficit) surplus before restricted contributions | | - | 1,354,742 | (1,014,282) |
| Restricted endowment contributions | | - | - | 33,405 |
| Transfer of endowment contributions to Langara College Foundation | | - | - | (6,007,586) |
| Annual (deficit) surplus | | - | 1,354,742 | (6,988,463) |
| Accumulated surplus, beginning of year | | 56,407,986 | 56,407,986 | 63,396,449 |
| **Accumulated surplus, end of year** | | **$ 56,407,986** | **$ 57,762,728** | **$ 56,407,986** |

See accompanying notes to the financial statements.

# Langara College

**Statement of Changes in Net Debt**

Years ended March 31, 2016 and 2015

| | | Budget 2016 Note 3(k) | 2016 | 2015 |
|---|---|---|---|---|
| Annual (deficit) surplus | | $ - | $ 1,354,742 | $ (6,988,463) |
| Acquisition of tangible capital assets | Note 10 | (34,896,322) | (30,821,030) | (16,336,561) |
| Amortization of tangible capital assets | Note 10 | 7,539,163 | 6,029,107 | 6,172,142 |
| | | (27,357,159) | (24,791,923) | (10,164,419) |
| Acquisition of prepaid expenses | | - | (230,721) | (577,560) |
| Use of prepaid expenses | | - | 603,703 | 540,050 |
| Change in endowment investments | | - | - | 5,974,181 |
| | | - | 372,982 | 5,936,671 |
| Increase in net debt | | (27,357,159) | (23,064,199) | (11,216,211) |
| Net debt, beginning of year | | (32,135,929) | (43,352,140) | (32,135,929) |
| **Net debt, end of year** | | **$ (59,493,088)** | **$ (66,416,339)** | **$ (43,352,140)** |

See accompanying notes to the financial statements.

# Langara College

Statement of Cash Flows
Years ended March 31, 2016 and 2015

| | 2016 | 2015 |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operations:** | | |
| Annual (deficit) surplus | $ 1,354,742 | $ (6,988,463) |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 6,029,107 | 6,172,142 |
| Revenue recognized from deferred capital contributions | (3,373,296) | (3,233,143) |
| Loss (gain) on sinking fund investments | 28,594 | (265,400) |
| Change in employee future benefits | 948,219 | 429,367 |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable | 340,797 | (495,860) |
| Decrease (increase) in prepaid expenses | 372,982 | (37,510) |
| Decrease (increase) in inventories for resale | (71,096) | 130,545 |
| Increase in accounts payable and accrued liabilities | 3,950,613 | 3,461,620 |
| Increase (decrease) in amount due to Langara College Foundation | (549,453) | 930,920 |
| Increase in deferred revenue | 4,682,319 | 4,748,244 |
| Increase (decrease) in deferred contributions | 5,836,899 | (2,158,459) |
| | 19,550,427 | 2,694,003 |
| **Capital activities:** | | |
| Acquisition of tangible capital assets | (30,821,030) | (16,336,561) |
| | (30,821,030) | (16,336,561) |
| **Financing activities:** | | |
| Sinking fund payments on long-term debt | (150,530) | (150,530) |
| Deferred capital contributions received | 1,937,001 | 547,326 |
| | 1,786,471 | 396,796 |
| **Investing activities:** | | |
| Principal payments received on net investment in lease | 78,084 | 74,541 |
| Principal payments on leased tangible capital assets | - | (79,262) |
| Purchase of investments | - | (12,308,898) |
| Disposition of investments | 22,532,211 | 30,596,797 |
| | 22,610,295 | 18,283,178 |
| Increase in cash | 13,126,163 | 5,037,416 |
| Cash, beginning of year | 10,961,975 | 5,924,559 |
| **Cash, end of year** | **$ 24,088,138** | **$ 10,961,975** |

Cash is comprised of cash and cash equivalents.

See accompanying notes to the financial statements.

## 1. Authority and purpose

Langara College (the "College") operates under the authority of the College and Institute Act of British Columbia. The College is a government not-for-profit entity governed by a Board of Governors, the majority of whom are appointed by the Province of British Columbia. The College is a registered charity and is exempt from income taxes under section 149 of the *Income Tax Act*.

The College provides university studies, career studies and continuing studies programs and courses to over 23,000 full and part-time students annually.

## 2. Summary of significant accounting policies

(a) Basis of accounting:

These financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires that all tax-payer supported organizations adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of deferred capital contributions and recognition of revenue is accounted for in the fiscal period in which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulations or restrictions on the contributions have been met.

For British Columbia taxpayer-supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which require that government transfers that do not contain a stipulation that creates a liability be recognized as revenue by the recipient when approved by the transferor and when the eligibility criteria have been met in accordance with public sector accounting standard PS3410. As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Cash and cash equivalents

Cash and cash equivalents include demand deposits and highly liquid investments with terms to maturity of three months or less at the date of purchase.

(c) Financial instruments

Financial instruments are classified into two categories: fair value and amortized cost.

(i) Portfolio investments that are quoted in an active market are reflected at fair value as at the reporting date. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of such investments are recorded as an expense. Unrealized gains and losses on investments carried at fair value are recorded in the statement of remeasurement gains and losses until such time as they are realized. Realized gains and losses on financial assets are transferred from the statement of remeasurement gains and losses and recognized in the Statement of Operations and Accumulated Surplus provided their use is not restricted.

(ii) Investments with fixed maturity dates are recorded at amortized cost unless designated as fair value. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time that the investments are held. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments. The College has not designated any such instruments as fair value.

The carrying amounts of other financial instruments, such as accounts receivable, accounts payable and accrued liabilities, approximate their fair value due to their short maturities. The fair value of the College's fixed rate long-term debt is impacted by changes in market yields which can result in differences between carrying value and fair value. Based on management's estimates, the fair value of the College's long-term debt at March 31, 2016, is not significantly different than its carrying value, as interest rates applicable to the debt are not significantly different from interest rates in effect at the year-end date. The sinking fund investments related to the long term debt are carried at fair value.

(d) Inventories for resale

Inventories held for resale, including books and other materials, are recorded at the lower of cost or net realizable value. Cost includes the original purchase cost, plus shipping and applicable duties. Net realizable value is the estimated selling price less any costs to sell.

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives shown below. Land is not amortized as it is deemed to have a permanent value.

| Asset | Period |
|---|---|
| Buildings and improvements | 3-50 years |
| Library holdings | 5 years |
| Furniture and fixtures | 10 years |
| Office equipment | 4-15 years |
| Computer hardware | 3-7 years |
| Computer software | 3 years |

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the provision of goods and services, or when the value of future economic benefits associated with these assets is less than their net book value.

(f) Employee future benefits

The College and its employees make contributions to the College Pension Plan and the Municipal Pension Plan, which are multi-employer joint trusteed plans. These plans are defined benefit plans, providing a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over five years. Inflation adjustments are contingent upon available funding. As the assets and liabilities of the plans are not segregated by institution, they are accounted for as defined contribution plans and contributions by the College to the plans are expensed as incurred.

Benefits for sick leave, vacation and other leaves are also available to College employees. The costs of sick leave benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are recognized in the period in which they are incurred. Benefits for vacation and other leaves are recorded at fair value as a liability.

(g) Revenue recognition and deferred revenue

Tuition and student fees and sales of goods and services are reported as revenue at the time the services are provided or the products are delivered, and collection is reasonably assured. Tuition fees and other amounts collected in advance of the delivery of related instruction are deferred until the programs are delivered.

Unrestricted donations and grants are recorded as revenue when receivable if the amounts can be estimated and collection is reasonably assured. Pledges from donors are recorded as revenue when payment is received or the transfer of property is completed.

Restricted donations and grants are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors, as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or in the form of a depreciable tangible capital asset, for use in providing services, are recorded as a deferred capital contribution and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded.

(ii) Contributions restricted for specific purposes, other than for those for the acquisition or development of a depreciable tangible capital asset, are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution have been met.

Investment income includes interest recorded on an accrual basis and dividends recorded as declared, realized gains and losses on the sale of investments, and write downs on investments where the loss in value is determined to be other than temporary.

(h) Use of estimates

The preparation of the financial statements in accordance with the reporting framework described in note 2(a) requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Key areas where management has made estimates and assumptions include the rate of amortization of capital assets and the related deferred capital contributions, employee future benefits, revenue recognition of contract services and provisions for contingencies. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(i) Foreign currency translation

The College's functional currency is the Canadian dollar. Transactions in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currency are reflected in the financial statements in equivalent Canadian dollars at the exchange rate in effect on the balance sheet date.

(j) Budget figures

Budget figures have been provided for comparative purposes and have been derived from the Operations and Capital Budget approved by the Board of Governors of the College on March 30, 2015. The budget is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Debt.

(k) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

(i) An environmental standard exists;
(ii) Contamination exceeds the environmental standard;
(iii) The College is directly responsible or accepts responsibility;
(iv) It is expected that future economic benefits will be given up; and
(v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

## 3. Net investment in lease

The College has entered into an agreement for the lease of the Students' Union Building to the Langara Students' Union for a thirty-year term commencing September 1, 2009. Finance income on the lease of $158,429 (2015: $161,972) is included in miscellaneous revenue. Minimum lease payments receivable for each year of the lease are $236,513.

The College's net investment in the lease is comprised of net minimum lease payments and unearned finance income as follows:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Net investment in lease: | | | | |
| Total minimum lease payments receivable | $ | 5,491,321 | $ | 5,727,834 |
| Unearned finance income | | (2,157,762) | | (2,316,191) |
| | **$** | **3,333,559** | **$** | **3,411,643** |

## 4. Investments

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Guaranteed investment certificates | $ | 19,733,729 | $ | 42,265,940 |
| | **$** | **19,733,729** | **$** | **42,265,940** |

Included in investments are assets that are restricted as to their use as follows (see note 7):

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Restricted investments | | | | |
| Langara Students' Union Capital Fund | | 497,770 | | 409,549 |
| Restricted donations | | - | | 4,214 |
| | **$** | **497,770** | **$** | **413,763** |

The balance of investments are not restricted as to their use.

## 5. Accounts payable and accrued liabilities

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ | 11,389,532 | $ | 7,573,880 |
| Salaries and benefits payable | | 3,670,432 | | 3,535,471 |
| | **$** | **15,059,964** | **$** | **11,109,351** |

## 6. Employee future benefits

Employee future benefits consist of accumulated vacation, sick leave, and other future benefits as follows:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Vacation (a) | $ | 5,111,270 | $ | 4,682,598 |
| Sick leave (b) | | 1,383,500 | | 924,700 |
| Other | | 1,005,742 | | 944,995 |
| | **$** | **7,500,512** | **$** | **6,552,293** |

(a) Vacation:

Employees of the College earn vacation according to the terms of the collective agreements or terms of employment, whichever is applicable. Vacation accumulates to each employee as they render services to the College. Employees covered by a collective agreement can generally accumulate vacation in excess of one year of entitlement, for payment of amounts owing in a future year in either cash or time off with pay. Employees not covered by a collective agreement are instead covered by the College's terms and conditions of employment, which does not permit accumulating vacation in excess of one year of entitlement.

(b) Accumulated sick leave benefit:

Employees of the College earn sick leave according to the terms of the collective agreements or terms of employment, whichever is applicable. Sick leave credits accumulate to each employee as they render services to the College; however, the accumulated amount does not vest and so is extinguished for each employee once they are no longer employed by the College. The expected use of the accumulated amount is determined using actuarial valuation techniques and the corresponding liability is recorded by the College. An expense for sick leave is recognized in the period for which each employee earns this benefit.

The amounts recorded as expense and liability for sick leave are as follows:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Accrued benefit obligation, beginning of year | $ | 924,700 | $ | 942,600 |
| Current service cost | | 79,700 | | 77,800 |
| Interest cost | | 33,000 | | 33,500 |
| Expected benefit payments | | (121,000) | | (129,200) |
| Actuarial adjustment | | 467,100 | | - |
| | **$** | **1,383,500** | **$** | **924,700** |

The significant actuarial assumptions adopted in measuring the College's liability for sick leave are as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 2.8% | 3.5% |
| Inflation rate | 2.2% | 2.5% |

(c) Other leaves that vest:

Certain employee groups may be eligible to earn other time-off benefits that may accumulate for multiple years and vest with each qualifying employee. These time-off benefits accumulate to each qualifying employee as they render services to the College. The fair value of these obligations are recorded as a liability.

(d) Pension benefits:

The College and its employees contribute to the College Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits provided are based on a formula. As at August 31, 2015, the College Pension Plan has about 14,000 active members, and approximately 6,500 retired members. As at December 31, 2014, the Municipal Pension Plan has about 185,000 active members, including approximately 5,800 from colleges.

The most recent actuarial valuation for the College Pension Plan as at August 31, 2012, indicated a $105 million funding deficit for basic pension benefits. The next valuation will be August 31, 2015, with results available in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012, indicated a $1,370 million funding deficit for basic pension benefits. The next valuation will be December 31, 2015, with results available in 2016.

Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for the plans in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The College paid $5,089,756 (2015: $4,678,018) as employer contributions to the College Pension Plan and $1,054,304 (2015: $1,014,285) as employer contributions to the Municipal Pension Plan in the current year.

## 7. Deferred contributions

Changes in deferred contributions are as follows:

| 2015 | Capital | Endowment Income | LSU | Restricted | Other | Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 826,299 | $ 1,352,736 | $ 350,576 | $ 134,837 | $ 835,419 | $ 3,499,867 |
| Contributions received during the year | | | | | | |
| From the Province of British Columbia | 244,660 | - | - | - | 489,996 | 734,656 |
| From other sources | - | 745,667 | 307,312 | 98,166 | - | 1,151,145 |
| Revenue recognized from deferred contributions | (633,310) | (2,098,403) | (248,339) | (228,789) | (835,419) | (4,044,260) |
| **Balance, end of year** | **$ 437,649** | **$ -** | **$ 409,549** | **$ 4,214** | **$ 489,996** | **$ 1,341,408** |

| 2016 | Capital | Endowment Income | LSU | Restricted | Other | Total |
|---|---|---|---|---|---|---|
| Balance, beginning of year | $ 437,649 | $ - | $ 409,549 | $ 4,214 | $ 489,996 | $ 1,341,408 |
| Contributions received during the year | | | | | | |
| From the Province of British Columbia | - | - | - | - | 6,584,377 | 6,584,377 |
| From other sources | - | - | 336,560 | - | - | 336,560 |
| Revenue recognized from deferred contributions | (236,374) | - | (248,339) | (4,214) | (595,111) | (1,084,038) |
| **Balance, end of year** | **$ 201,275** | **$ -** | **$ 497,770** | **$ -** | **$ 6,479,262** | **$ 7,178,307** |

## 8. Deferred capital contributions

Contributions for capital acquisitions are referred to as deferred capital contributions. Amounts are recognized into revenue over the useful life of the related assets using the same basis as amortization.

Changes in the balance of deferred capital contributions are as follows:

| | 2016 | 2015 |
|---|---|---|
| Balance, beginning of year | $ 59,434,268 | $ 62,120,085 |
| Grants received from the Province of British Columbia | 1,937,001 | 547,326 |
| Amount amortized to revenue | (3,373,296) | (3,233,143) |
| | **$ 57,997,973** | **$ 59,434,268** |

## 9. Long-term debt

The College borrowed Series LC-CP-154 long-term debt through the provincial government on November 10, 2009. This debt is for a thirty-year term maturing on November 10, 2039, carries an interest rate of 4.68% with interest-only payments of $234,000 due on May 10 and November 10 of each year, and an annual sinking-fund requirement of $150,530, payable to the provincial government until maturity. Interest expense of $468,000 (2015: $468,000) is included in ancillary operations expense. Sinking fund investments incurred a loss of $28,594 in the current year (2015: gain of $265,400).

| | 2016 | 2015 |
|---|---|---|
| Face value of debt | $ 10,000,000 | $ 10,000,000 |
| Sinking fund | (1,177,440) | (1,055,504) |
| | **$ 8,822,560** | **$ 8,944,496** |

## 10. Tangible capital assets

| Cost | | 2015 | | Additions | | Disposals | | 2016 |
|---|---|---|---|---|---|---|---|---|
| Land | $ | 1,172,682 | $ | 870,678 | $ | - | $ | 2,043,360 |
| Buildings and improvements | | 115,884,095 | | 953,701 | | - | | 116,837,796 |
| Furniture and equipment | | 6,249,699 | | 953,966 | | 1,283,660 | | 5,920,005 |
| Computer hardware | | 4,017,008 | | 2,404,548 | | 745,990 | | 5,675,566 |
| Computer software | | 1,228,031 | | 78,159 | | 336,067 | | 970,123 |
| Library holdings | | 1,277,571 | | 132,722 | | 112,739 | | 1,297,554 |
| Assets under construction | | 19,128,192 | | 25,427,256 | | - | | 44,555,448 |
| **Total** | **$** | **148,957,278** | **$** | **30,821,030** | **$** | **2,478,456** | **$** | **177,299,852** |

| Accumulated Amortization | | 2015 | | Amortization Expense | | Disposals | | 2016 |
|---|---|---|---|---|---|---|---|---|
| Land | $ | - | $ | - | $ | - | $ | - |
| Buildings and improvements | | 42,485,514 | | 3,811,163 | | - | | 46,296,677 |
| Furniture and equipment | | 3,892,698 | | 884,024 | | 1,283,660 | | 3,493,062 |
| Computer hardware | | 1,913,298 | | 950,051 | | 745,990 | | 2,117,359 |
| Computer software | | 920,597 | | 230,976 | | 336,067 | | 815,506 |
| Library holdings | | 693,219 | | 152,893 | | 112,739 | | 733,373 |
| Assets under construction | | - | | - | | - | | - |
| **Total** | **$** | **49,905,326** | **$** | **6,029,107** | **$** | **2,478,456** | **$** | **53,455,977** |

| Net Book Value | | 2015 | | 2016 |
|---|---|---|---|---|
| Land and land improvements | $ | 1,172,682 | $ | 2,043,360 |
| Buildings | | 73,398,581 | | 70,541,119 |
| Furniture and equipment | | 2,357,001 | | 2,426,943 |
| Computer hardware | | 2,103,710 | | 3,558,207 |
| Computer software | | 307,434 | | 154,617 |
| Library holdings | | 584,352 | | 564,181 |
| Assets under construction | | 19,128,192 | | 44,555,448 |
| **Total** | **$** | **99,051,952** | **$** | **123,843,875** |

## 11. Accumulated surplus

Accumulated surplus consists of the following:

| | | 2016 | | 2015 |
|---|---|---|---|---|
| Accumulated operating surplus | $ | 34,140,129 | $ | 36,126,598 |
| Amounts internally restricted for specific purposes | | 23,622,599 | | 20,281,388 |
| | **$** | **57,762,728** | **$** | **56,407,986** |

### 12. Financial risk management

The College is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives. The Board of Governors ensures that the College has identified its major risks and ensures that management monitors and manages them.

(a) Liquidity risk

Liquidity risk is the risk that the College will not be able to meet its financial obligations as they become due. The College establishes budgets and cash flow projections to ensure that it has the necessary funds to meet its obligations as they become due.

(b) Market and interest rate risk

Market risk is the risk that changes in market prices will affect the College's operating results. Interest rate risk is the risk that the fair value of future cash flows of floating rate instruments will fluctuate due to changes in market interest rates. It is management's opinion that the College is not exposed to excessive levels of market or interest rate risk arising from its financial instruments.

(c) Credit risk

Credit risk is the risk of financial loss to the College if a client of the College or counterparty to a financial instrument fails to meet their contractual obligations. Such risks arise principally from certain financial assets held by the College consisting of cash and cash equivalents, accounts receivable and investments.

The College's exposure to credit risk is influenced mainly by the individual characteristics of its clients, in the event of non-payment of amounts owing. This risk is mitigated by ensuring that the majority of receivables are collected prior to the delivery of programs, by the College's prompt collection processes and by other remedies such as withholding of transcripts in the event of non-payment.

The College accounts for a specific bad debt provision when management considers that the expected recovery is less than the amount receivable.

### 13. Commitments

The College has entered into operating leases for premises, vehicles, and office equipment, the minimum annual payments and minimum annual other contractual charges for which are as follows:

| Fiscal year | Minimum lease payment | Minimum other charges | Total cost |
|---|---|---|---|
| 2017 | $ 348,536 | $ 337,858 | $ 686,394 |
| 2018 | 291,657 | 252,858 | 544,515 |
| 2019 | 218,311 | 189,643 | 407,954 |
| 2020 | 4,960 | - | 4,960 |
| | **$ 863,464** | **$ 780,359** | **$ 1,643,823** |

### 14. Contractual obligations

Construction of the Science and Technology building, located on the northwest corner of the College campus, is nearing completion. This building is forecast to cost $53.5 million, and is funded from College reserves. Construction of the building commenced in the spring of 2014 and is to be ready for occupancy in the fall of 2016. The outstanding value of contracts issued with respect to construction of the building are valued at $6.97 million.

The College has issued $948,303 in letters of guarantee for various site improvements and other related obligations as required by the City of Vancouver.

### 15. Langara College Foundation

The Langara College Foundation (the "Foundation") was established under the Society Act of British Columbia on February 6, 2013 and is a registered charity under the Income Tax Act of Canada. The purpose of the Foundation as stated in its constitution is the solicitation and management of donations and endowments for the purpose of providing awards and grants to students of Langara College (the "College") and to otherwise further the interests of the College. The Foundation is governed by an independent board of directors, the voting members of which cannot be employees or officers of the College.

During the year, as part of its ordinary course of business, the College transferred certain funds to the Foundation.

In addition, at its meeting held on January 28, 2016, the Board of Governors of Langara College authorized the following transfers to the Langara College Foundation:

(i) $200,000 to match endowment donations for the 2015 and 2016 fiscal years of the Foundation;

(ii) The College's Building Legacy Fund at March 31, 2016, for future Langara capital projects at the Foundations discretion, in the amount of $1,107,698.

### 16. Expenses by object

| | 2016 | 2015 |
|---|---|---|
| Salaries and benefits | $ 84,452,683 | $ 80,548,724 |
| Fees and contract services | 8,183,109 | 6,663,593 |
| Amortization of tangible capital assets | 6,029,107 | 6,172,141 |
| Facilities | 4,027,493 | 4,712,185 |
| Cost of goods sold | 2,991,985 | 3,107,045 |
| Supplies | 2,188,575 | 1,747,112 |
| Professional development and travel | 1,794,927 | 2,040,234 |
| Transfer to Langara College Foundation | 1,473,015 | 3,337,347 |
| Other | 1,281,081 | 545,995 |
| Leases and rental | 938,969 | 921,432 |
| Scholarships and bursaries | 657,609 | 510,388 |
| Communications | 535,153 | 465,565 |
| Interest on long-term debt | 468,000 | 468,000 |
| | **$ 115,021,706** | **$ 111,239,761** |